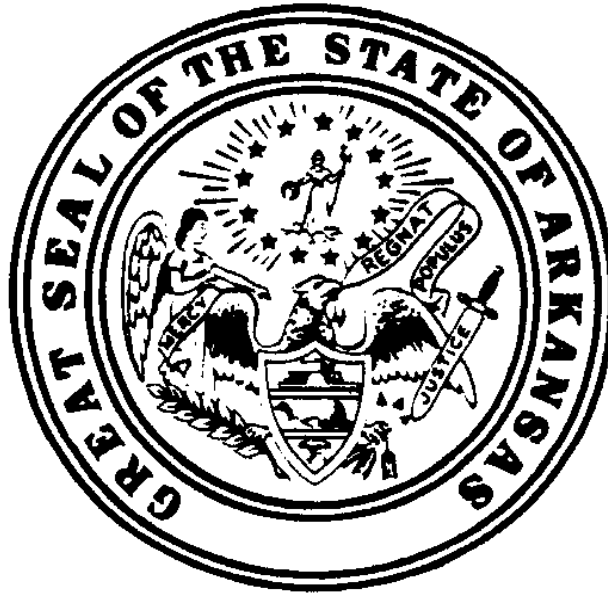


ARKANSAS

BUSINESS AND INCENTIVE TAX CREDITS

INFORMATION PACKAGE



This package contains the information about business and incentive tax credits allowed on Arkansas Income Tax Returns. No credit will be allowed unless the original Certificate of Approval from the applicable issuing agency is attached to the return on which the credit is first claimed. Additionally, the AR-1020 BIC should be completed for all credits and AR 1036 must be completed for the Tuition Reimbursement Tax Credit.

BUSINESS AND INCENTIVE TAX CREDITS INFORMATION PACKAGE

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Business and Incentive Tax Credit Instructions and Forms

Enterprise Zone Program (Act 947 of 1993) (ACA 15-4-1701 et seq.)

Act 947 of 1993, as amended by Acts 394 and 1250 of 1995 and Act 807 of 1997, authorizes sales/use tax refunds and income tax credits to businesses located in Arkansas that embark on certified projects involving the construction of a new plant or facility; the expansion of an established plant or facility; or the replacement of production or processing equipment or support infrastructure. To obtain the benefits of this Act, the business does not have to be located within a designated Enterprise Zone and may be located anywhere within the State of Arkansas.

To qualify, the business must be classified as one of the following:

- Manufacturers in SIC codes 20-39 and businesses primarily engaged in commercial, physical or biological research as classified by SIC code 8731 that create one or more net new full-time permanent jobs; or
- Eligible computer firms with no retail public sales that derive at least 75% of their revenue from out-of-state sales and create five or more net new full-time permanent jobs; or
- Businesses primarily engaged in motion picture production with no retail public sales that derive at least 60% of their revenue from out-of-state sales and create twenty-five (25) or more net new full-time permanent jobs; or
- Distribution centers, including e-commerce distributors, that derive at least 75% of their resources from out-of-state sales; office sector businesses; corporate or regional headquarters; or trucking/distribution terminals with no retail public sales that create twenty-five (25) or more net new full-time permanent jobs; or
- Operations that extract coal or lignite from within the boundaries of the State of Arkansas and hire at least twenty-five (25) employees.

For companies certified prior to April 6, 1999 the income tax credit is equal to 100 times the average hourly wage paid per net new permanent employee. This credit is doubled, with a maximum of \$2,000.00, if the business is located in a county that had an unemployment rate greater than 10% or greater than 3% of the state's average unemployment rate for the preceding calendar year. A new permanent employee is a position or job which was created as a result of the project and which is filled by one or more employees or contractual employees. The position must have had someone working in it for at least twenty-six (26) consecutive weeks with an average of at least thirty (30) hours per week.

For companies certified on or after April 6, 1999, the maximum credit is \$3,000 per net new full-time permanent employee. The credit allowed can be increased by a factor of four (4) with a maximum credit of \$6,000 if the business is located in a county that has an unemployment rate equal to or in excess of 150% of the state's average unemployment rate for the preceding calendar year.

The tax credit shall be used for the taxable year in which the net new permanent employees were hired. If the entire credit cannot be used in the year earned, the remainder may be applied against the income tax for the succeeding four (4) years or until the credit is entirely used, whichever occurs first. For companies certified after March 25, 1997, any remaining credit may be applied against the income tax for the succeeding nine (9) years.

To claim the credits authorized by this Act, you should complete form AR-1020 BIC (parts 1 & 18) and the original Certificate of Tax Credit issued by the Tax Credits/Special Refunds Section must be attached to the return on which the credit was first claimed.

In the event it is found any business receiving this credit has failed to comply with the conditions of this Act, that business shall be liable for the payment of such additional income taxes after the credits have been disallowed, plus penalty and interest.

Ark. Code Ann. § 15-4-1704 states, with respect to projects approved prior to March 25, 1997, if the entire credit cannot be used in the year earned, the remainder may be applied against the income tax credit for the succeeding four (4) years or until entirely used, whichever occurs first. For projects approved on or after March 25, 1997, the credit may be applied against income tax for the succeeding nine (9) years or until the credit is entirely used, whichever occurs first.

Note: There are no new projects approved under this code section after March 2, 2003.

Water Resource Conservation and Development Incentives (ACA 26-51-1001 et seq.)

Projects Approved Prior to January 1, 1996

Act 417 of 1985, as amended by Act 26 of the 1st Extraordinary Session of 1985, provides an income tax credit equal to 50% of the cost of construction and installation or restoration of water impoundments or water control structures of twenty (20) acre-feet or more and used for the production of food or fiber as a business or for industrial purposes. The credit shall not exceed \$3,000 per year for not more than ten (10) years. Consequently, the credit has a maximum nine (9) year carry forward.

Projects Approved January 1, 1996 and Later

Act 341 of 1995, as amended by Act 421 of 1997, and Acts 765 and 1050 of 1999, creates additional credits for taxable years beginning on or after January 1, 1996. An income tax credit equal to 50% of the cost of construction and installation or restoration of water impoundments or water control structures of twenty (20) acre-feet or more designed for the purpose of storing water to be used primarily for agricultural irrigation or industrial process water. The amount of credit used for any taxable year may not exceed \$9,000 and may be carried over for maximum of nine (9) consecutive taxable years following the taxable year in which the credit originated.

There is also a tax credit equal to 10% for projects outside critical groundwater areas, and 50% for projects within critical groundwater areas, of the cost incurred for the reduction of ground water used by substitution of surface water for water used in industrial, commercial, agricultural, or recreational purposes. The amount of credit used for any taxable year may not exceed \$9,000 and may be carried over for maximum of two (2) consecutive taxable years following the taxable year in which the credit originated. Exception: Credits earned from a project for industrial or commercial purposes that is located in critical groundwater areas may be used in an amount up to \$30,000, increased to \$200,000 effective with tax years beginning January 1, 1999. These credits may be carried over for a maximum of four (4) consecutive taxable years.

Also available for taxable years beginning January 1, 1996 is a tax credit equal to 10% of the project cost incurred for agricultural land leveling to conserve irrigation water. The amount of credit used for any taxable year may not exceed \$9,000 and may be carried over for maximum of two (2) consecutive taxable years

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following the taxable year in which the credit originated.

In determining net income for Arkansas income tax purposes, any taxpayer qualifying for the credits provided for in this Act shall also be entitled to a deduction in an amount equal to the total cost of the water project less the total amount of credits to which the taxpayer is entitled under this act.

To claim the credits authorized by this Act, you should complete form AR-1020 BIC (parts 2 or 3, & 18) and the original Certificate of Approval from the Soil and Water Commission must be attached to the return on which the credit is first claimed.

Private Wetland/Riparian Zone Creation and Restoration Incentive (ACA 26-51-1501 et seq.)

Act 561 of 1995 created income tax credits for taxable years beginning on or after January 1, 1996 equal to the project cost incurred in the development or restoration of private wetlands and riparian zones. The amount of credit used for any taxable year may not exceed \$5,000 and may be carried over for maximum of nine (9) consecutive taxable years following the taxable year in which the credit originated. The project must be maintained for a minimum life of ten (10) years after the project is completed.

To claim the credits authorized by this Act, you should complete form AR-1020 BIC (parts 4 & 18) and the original Certificate of Approval from the Soil and Water Commission must be attached to the return on which the credit is first claimed.

Waste Reduction and Recycling Equipment Credit (ACA 26-51-506)

Act 748 of 1991 and Act 654 of 1993 authorizes an income tax credit equal to 30% of the cost of waste reduction, reuse, or recycling equipment, including the cost of installation of such machinery and equipment. To become eligible, the company must obtain a certification from the Arkansas Department of Environmental Quality stating that the taxpayer is engaged in the business of reducing, reusing, or recycling solid waste material for commercial purposes.

The credit used for a taxable year may not exceed the individual or corporation income tax due. Any unused credit may be carried over for a maximum of three (3) consecutive years, unless the business is a qualified steel mill that has invested more than \$200,000,000, and then the carry forward period is fourteen (14) years.

A taxpayer claiming the credit shall not be entitled to claim any other credit or deduction based on the purchase price of the equipment, except for the deduction for normal depreciation.

To claim the credits authorized by this Act, you should complete form AR-1020 BIC (parts 5 & 18) and the certificate issued by the Tax Credits/Special Refunds Section must be attached to the tax return on which the credit is first claimed.

Arkansas Capital Development Company Credit (ACA 15-4-1026)

Act 860 of 2003 allows the original purchaser of an equity interest in a Capital Development Company an income tax credit equal to 33 $\frac{1}{3}$ % of the actual purchase price, limited to 50% of the net income tax liability. Any unused credit may be carried forward not to exceed three (3) tax years. No credit will be allowed for any tax year ending after December 31, 2019.

An original purchaser of equity interests who seeks to qualify for the income tax credit or premium tax credit provided in this section must obtain and attach to the income tax return for the years the credit is claimed a certified statement from the company stating:

- (A) The name and address of the original purchaser;
- (B) The tax identification number of the person entitled to the credit;
- (C) The original date of purchase of the equity interest;
- (D) The number and type of equity interests purchased;
- (E) The amount paid by the original purchaser for the equity interest;
- (F) The amount of the tax credit associated with the purchase of the equity interest; and
- (G) The amount of dividends and distributions previously paid by the company to the purchaser.

A transferee from an original purchaser is entitled to the tax credit described in this section only to the extent the credit is still available to and has not previously been used by the transferor. See Ark. Code. Ann. § 15-4-1026 for details.

To claim the credits authorized by this Act, you should complete form AR-1020 BIC (parts 6 & 18) and attach the certification statement to the tax return on which the credit first claimed.

County and Regional Industrial Development Corporation Credit (ACA 15-4-1224)

The original purchaser of common stock of a corporation or a unit of interest of a limited liability company shall be entitled to a credit against any Arkansas income tax liability, which may be imposed on such a purchaser for any tax year commencing on or after January 1, 1999, for common stock purchased from a corporation or units of interest of a limited liability company and retained during any of the calendar years 1999-2003. In any one-tax year the credit shall not exceed 50% of the income tax liability, after all other credits and reductions in tax have been calculated. Any unused credit credits may be carried forward for the next three (3) succeeding tax years or until exhausted, whichever occurs first. The credit shall be determined in the following manner:

- The credit is an amount equal to 33 $\frac{1}{3}$ % of the actual purchase price paid for the stock of a corporation to the corporation or for the units of interest of a limited liability company to the limited liability company, which shall include any fees or commissions to underwriters or sales agents paid by the company. However, the total amount of fees or commissions to underwriters or sales agents for which a credit may be taken shall not exceed 15% of the actual purchase price.
Any fees or commissions in excess of 15% of the total purchase price shall not be considered in calculating the amount of the credit determined in this section.
- Any original purchaser of common stock or units of interest who seeks to qualify for and maintain the income tax credit provided in this section must obtain and attach to its annual income tax return a certified statement from the company issuing the common stock or units of interest stating:
 - The name and address of the original purchaser;
 - The number of shares or units of interest purchased;
 - The amount paid by the original purchaser for the common stock or units of interest, specifying what portion of the original purchase price consisted of fees or commissions to the underwriter

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- or sales agent;
- The date of purchase of the common stock or units of interest;
- The number of shares or units of interest of the original purchase still owned by the original purchaser; and
- The amount and date of distributions made from the company to the purchaser and whether or not such distributions are ones made pursuant to § 15-4-1215.

See Ark. Code. Ann. § 15-4-1224 for additional details.

To claim the credits authorized by this Act, you should complete form AR-1020 BIC (parts 7 & 18) and attach the certification statement to the tax return on which the credit is first claimed.

Equipment Donation or Sale Below Cost or Qualified Research Expenditure Credit

Ark. Code Ann. § 26-51-1102 provides an income tax credit for a taxpayer who donates or sells below cost new machinery or equipment to a Qualified Educational Institution, or a taxpayer who has qualified research expenditures under a Qualified Research Program. This credit is equal to 33% of the cost of the donation, sale below cost, or qualified expenditure.

Ark. Code Ann. § 25-51-1103 limits the credit to 50% of the net income tax liability. Any unused credit may be carried forward for the next three (3) succeeding tax years or until exhausted, whichever occurs first.

Ark. Code Ann. § 26-51-1104. Documentation required.

(a) To claim the credit granted by § 26-51-1102, the taxpayer must provide the following for each piece of machinery and equipment donated or sold below cost:

(1) A statement from the receiving Qualified Educational Institution that it has received the machinery or equipment; that the machinery or equipment is new machinery or equipment within the meaning of this subchapter; that it received the machinery or equipment as a donation or, if it purchased the machinery or equipment below cost, a statement of the amount paid for the machinery or equipment; and that the machinery or equipment has been donated or sold to the Qualified Educational Institution for use in a Qualified Education Program or a Qualified Research Program;

(2) In the case of a donation or sale by a retail or wholesale business, a copy of the invoice from the business' supplier showing the actual cost of the machinery or equipment. In the case of a donation or sale below cost by a manufacturer, a copy of the manufacturer's wholesale price list showing the lowest price of the machinery or equipment for which credit is claimed.

(b) To claim the credit granted by § 26-51-1102, the taxpayer must show that the Arkansas Science and Technology Authority and the Department of Higher Education have approved the qualified research expenditure as a part of a Qualified Research Program.

(c) Copies of each of the above documents shall be filed by the taxpayer with their return as an attachment to the form prescribed by the Director of the Department of Finance and Administration.

To claim the credits authorized by this Act, you should complete form AR-1020 BIC (parts 8 & 18) and attach the above statement to the tax return on which the credit is first claimed.

Youth Apprenticeship Program (ACA 26-51-509)

Act 1103 of 1995 provides for an income tax credit of up to \$2,000 for each qualified youth apprentice. To claim the benefits, a taxpayer must obtain a certification from the Bureau of Apprenticeship and Training of the U.S. Department of Labor. A taxpayer who trains a youth apprentice in a registered Youth Apprenticeship Program shall be entitled to a credit in the amount of \$2,000 or 10% of the wages earned by the youth apprentice, whichever is less. The credit used for a taxable year may not exceed the individual or corporate income tax otherwise due in the year the credit was earned. Any unused credit may be carried over for a maximum of two (2) consecutive taxable years.

To claim the credit authorized by this Act, you should complete form AR-1020 BIC (parts 9 & 18) and the original Certificate of Tax Credit issued by the Tax Credits/Special Refunds Section must be attached to the return on which the credit is first claimed.

Youth Apprenticeship/Work-Based Learning Program (ACA 26-51-1601 et seq.)

Act 1168 of 1997 provides for an income tax credit of up to \$2,000 for each qualified youth apprentice. To claim the benefits, a taxpayer must obtain a certification from the Department of Workforce Education. Beginning January 1, 1998, a taxpayer who employs a youth apprentice in an approved apprenticeship/work-based learning program which is in an occupation not eligible under the Youth Apprenticeship Training Program, provided by Act 1103 of 1995, shall be entitled to a credit in the amount of \$2,000 or 10% of the wages earned by the youth apprentice, whichever is less. The credit used for a taxable year may not exceed the individual or corporate income tax otherwise due in the year the credit earned. Any unused credit may be carried over for a maximum of two (2) consecutive tax years.

To claim the credit authorized by this Act, you should complete form AR-1020 BIC (parts 9 & 18) and the original Certificate of Tax Credit issued by the Tax Credits/Special Refunds Section must be attached to the return on which the credit is first claimed.

Arkansas Economic Development Act of 1995 (ACA 15-4-1901 et seq.)

Act 831 of 1995, as amended by Act 807 of 1997 and 575 of 1999, authorizes the Arkansas Department of Economic Development to negotiate proposals on behalf of the State with prospective businesses which are considering locating a new facility, or expanding an existing facility, that would employ at least 100 new permanent employees and expend at least \$5,000,000 on the project.

An income tax credit may be granted based upon the business' annual amount of debt service (principal and interest) paid to a lender in connection with the project financing. The amount of credit that may be claimed each year will depend on the average hourly wage of the new permanent employees and may not exceed the Arkansas income tax liability resulting from the project facility. For projects initiated after June 1, 2000, the Revenue Division of the Department of Finance & Administration shall authorize an income tax credit based on the total investment in land, buildings and equipment divided by the term of the financial incentive plan for each tax year. The amount of income tax credit taken during any tax year shall not exceed the Arkansas income tax liability resulting from the project plant or facility. The income tax liability of the project plant or facility shall be determined by adding the sales factor, payroll factor and property factor of the plant or facility and dividing the sum by three (3) to arrive at the project apportionment percentage. The total Arkansas corporate

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income tax liability of the corporation shall be multiplied by the project apportionment percentage to arrive at the income tax liability arising from the project. The income tax credit available may then be used to offset the income tax liability arising from the project as agreed for in the financial incentive agreement. The carry forward for this credit is 9 years.

To claim the credit authorized by this Act, you should complete form AR-1020 BIC (parts 10 & 18) and the original Certificate of Tax Credit issued by the Tax Credits/Special Refunds Section must be attached to the return on which the credit is first claimed.

Tourism Project Development Credit (ACA 15-11-509)

Act 291 of 1997, as amended by Act 1135 of 1999, allows an income tax credit for a tourism attraction approved by the Director of the Department of Economic Development.

The income tax credit is equal to one hundred (100) times the average hourly wage paid per net new permanent employee with a maximum credit of \$3,000 per net new full-time permanent employee. The credit allowed can be increased by a factor of four (4) with a maximum credit of \$6,000 if the business is located in a county that has an unemployment rate equal to or in excess of 150% of the state's average unemployment rate for the preceding calendar year

The tax credit shall be used for the taxable year in which the net new permanent employees were hired. If the entire credit cannot be used in the year earned, the remainder may be applied against the income tax for the succeeding nine (9) years or until the credit is entirely used, whichever occurs first.

To claim the credits authorized you must complete form AR-1020 BIC (parts 11 & 18) and the original Certificate of Tax Credit issued by the Tax Credits/Special Refunds Section must be attached to the return on which the credit is first claimed.

Advantage Arkansas Credit (ACA 15-4-2705)

Act 182 of 2003 provides an income tax credit to an eligible company for creating new jobs after the company has signed a financial incentive agreement. The annual payroll of the new employees must meet the payroll threshold for the tier in which the business is located. The income tax credit earned is a percentage of the annual payroll of the new full-time permanent employees and is earned each tax year for a period of five (5) years. Unused credits may be carried forward for nine (9) years beyond the year in which the credit was first earned.

The job creation benefits cannot offset more than 50% of a business' income tax liability in any one tax year.

To claim the credits authorized you should complete form AR-1020 BIC (parts 12 & 18) and the original Certificate of Tax Credit issued by the Tax Credits/Special Refunds Section must be attached to the return on which the credit is first claimed.

ArkPlus Income Tax Credit (ACA 15-4-2706(b))

Act 182 of 2003 allows the Director of the Arkansas Department of Economic Development (ADEED) to provide a ten percent (10%) income tax credit based on the total investment in a new location or expansion project. The income tax credits may be used to offset 50% of a business' income tax liability in the tax year the credit is earned. Any unused credits may be carried forward for nine (9) years beyond the year in which the credit was

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first earned. The ArkPlus Program requires a minimum investment and a minimum payroll based on the payroll of new full-time permanent employees hired after the date of a financial incentive agreement signed by ADEA. The minimum investment and payroll requirements are dependent upon the tier in which the business is located.

To claim the credits authorized you should complete form AR-1020 BIC (parts 13 & 18) and the original Certificate of Tax Credit issued by the Tax Credits/Special Refunds Section must be attached to the return on which the credit is first claimed.

Targeted Business Tax Credit (ACA 15-4-2709, (2708(c))

Act 182 of 2003 provides for income tax credits to “targeted businesses” approved by the Department of Economic Development. Companies that are doing business in a targeted business sector and pay wages that are 150% to 180% of the state or county average wage and that meet the requisite payroll thresholds that may qualify. The income tax credits earned under this program may be sold upon approval by the Department of Economic Development. The buyer of the tax credit shall be subject to the same provisions for carry forward of the tax credits as the business that originally earned the credits. Any unused credits may be carried forward for a maximum of three (3) years.

The benefit for a targeted business for job creation is an income tax credit based on 10% of its annual payroll, with a cap of \$100,000 per year in earned income tax credits for a business that qualifies and is approved for this incentive. The incentive may be offered for a period not to exceed five (5) years. This targeted job creation income tax credit may include existing employees in the calculation of payroll to qualify for this benefit.

Businesses deemed by the department to fit within the six (6) business sectors classified as “targeted businesses” may enter into a financial incentive agreement for income tax credits based on qualified *research and development expenditures*. An eligible business may be approved for an income tax credit each year equal to 33% of the qualified research and development expenditures incurred each year for the first five (5) years of the financial incentive agreement. As with the job creation income tax credits for targeted businesses, the income tax credit for research and development earned by targeted businesses may be sold. The business must make application to the Arkansas Department of Economic Development within one year of issuance. The credits can only be sold one time. Any unused credits may be carried forward for a maximum of three (3) years.

To claim the credit authorized you should complete form AR-1020 BIC (parts 14 & 18) and must attach the Certificate of Tax Credit issued by the Arkansas Science and Technology Authority with its income tax return.

Research & Development with Universities Tax Credit (ACA 15-4-2708(a))

Act 182 of 2003 § 15-4-2708(a) authorized an income tax credit to an eligible business that contracts with one or more Arkansas colleges or universities in performing research may qualify for a 33% income tax credit as authorized by ACA 26-51-1102(b) for qualified research expenditures. The income tax credit may be carried forward for three (3) years beyond the year in which the credit was earned. In order to qualify for the income tax credit for research and development with universities, an eligible business must submit an application and project plan to the Arkansas Department of Economic Development. The Arkansas Science and Technology Authority will review the application for approval.

To claim the credit authorized you should complete AR-1020 BIC (parts 15 & 18) and file the Certificate
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of Tax Credit issued by the Arkansas Science and Technology Authority with its income tax return.

In-House Research Tax Credit (ACA 15-4-2708(b))

Act 182 of 2003 § 15-4-2708 (b)(1) authorizes an income tax credit to eligible businesses that conduct “in-house” research within a research facility that is operated by the eligible business. The credit allowed for approved in-house research is 10% of qualified expenditures. However, the maximum credit that can be earned by each qualified business shall not exceed \$10,000 per tax year.

To claim the credit authorized you should complete form AR-1020 BIC (parts 16 & 18) and file the Certificate of Tax Credit issued by the Arkansas Science & Technology Authority with your income tax return.

Research Area of Strategic Value Tax Credit (ACA 15-4-2708(d))

Act 182 of 2003 § 15-4-2708(d) authorizes an income tax credit equal to 33% of qualified research expenditures for an Arkansas taxpayer that invests in: (A) In-house research in an area of strategic value; or (B) A project under the research and development programs offered by the Arkansas Science and Technology Authority and approved by its Board of Directors.

The taxpayer must apply to the Department of Economic Development in order to qualify for the income tax credit. Research is of strategic value meaning research in fields having long-term economic. The tax credit may be earned for the first five (5) years following the signing of a financial incentive agreement. The maximum tax credit that may be claimed by a taxpayer under this program is \$50,000 per tax year. The carry forward is three (3) years beyond the year in which the credit was first earned.

To claim the credit authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach the Certificate of Tax Credit from the Arkansas Science & Technology Authority with your income tax return.

Biotechnology Development Credit (ACA 2-8-101 et seq.)

Act 1117 of 1997, as amended by Act 1369 of 1999, provides income tax credits for the development of biotechnology in Arkansas. Biotechnology means the uses of biochemistry, molecular biology, genetics, and bioengineering to meet the needs of agricultural, aquaculture, forestry, and environmental industries, as well as developing products useful for modern medicine, veterinary science, and pharmaceuticals.

The credits available are equal to: 5% of the cost for construction, expansion, improvement, renovation, or purchase of a biotechnology facility; 30% of the cost for training employees in biotechnology and Higher Education Partnerships; 20% of the amount the cost of qualified research, exceeds the cost of such research in the base year

Act 1367 of 1999, effective April 12, 1999, amends the Biotechnology Development and Training Act to provide an income tax credit for an Arkansas Taxpayer engaged in the business of producing advanced biofuels through biological means other than fermentation. The credit is limited to thirty (30) times of the cost of the buildings, equipment, higher education, and licenses necessary to manufacture advanced biofuels. The credits allowed shall be used to offset the first fifty thousand dollars (\$50,000) of income tax liability arising during the credit year, and 50% of any remaining income tax liability. Any unused credit may be carried forward for a Revised January, 2005

maximum of nine (9) taxable years after the credit year in which the credit originated. Act 900 of 2001 extends the carry forward period to fourteen (14) years and requires the project to be certified before incurring expenditures that qualify for the credit as of August 13, 2001.

To claim the credit authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach the certification from the Director of the Arkansas Department of Economic Development certifying to the Revenue Division of the Department of Finance and Administration that the taxpayer is engaged in qualified research in biotechnology.

Emerging Technology Development (ACA 15-4-2104)

Act 976 of 1999 provides an income tax credit for companies that design, develop, or produce photovoltaic devices, electric vehicle equipment, or fuel cells. The credit is equal to 50% of the amount spent during the taxable year to purchase or construct the facility, including land acquisition, infrastructure improvements, renovations, building improvements, machinery, and other manufacturing equipment.

Any unused credit may be carried forward 6 years. A taxpayer must obtain certification from the Arkansas Department of Economic Development certifying to DFA that the taxpayer is engaged in qualifying activities. Act 1284 of 2001 expands the credit to include businesses that design, develop, or produce microturbines, stirling engines, or devices reliant on nanotechnology.

The approved company is required to certify qualified expenditures on the appropriate forms to the Department of Finance and Administration. The Tax Credits/Special Refunds will issue an income tax credit based upon the expenditures reported.

To claim the credit authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach the original Certificate of Tax Credit issued by the Tax Credits/Special Refunds Section to your income tax return.

Existing Workforce Training Act (ACA 6-50-704)

To qualify, the business must be classified as on of the following: manufacturers classified in NAICS codes 31-33, including semiconductor and microelectronic manufactures; computer firms primarily engaged in providing computer programming services, the design and development of prepackaged software, engaged in digital content production, computer processing and data preparation services, informational retrieval services, computer and data processing consultants and developers, all of which must derive at least 75% of their revenue from out-of state sales and not be engaged in retail sales to the general public; firms primarily engaged in commercial physical and biological research (NAICS 541710), as in effect January 1, 2003. Eligible companies that use state supported educational institutions for classroom training are eligible for either a grant or income tax credit, while a consortium can only receive a grant, for the lesser of ½ of the amount paid by the company to the educational institution, or, the instructional hour rate (not to exceed \$60 per hour) times the number of instructional hours. If the company uses company employees or paid consultants to deliver the classroom training, the amount of assistance shall not be more than \$15 per instructional hour, which can only be in the form of an income tax credit. There is no carry forward period for this credit.

To claim the credit authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach the original Certificate of Tax Credit issued by the Department of Economic Development to your income tax return.

For further information regarding the Arkansas Existing Workforce Training Program, please contact:

Arkansas Department of Economic Development
Attn: Gay Johnson
One State Capitol Mall
Little Rock, AR 72201
(501) 682-1121

Tuition Reimbursement Tax Credit Program (ACA 26-51-1902)

Act 1036 of 1999 provides an income tax credit for companies that reimburse full-time employees for the cost of tuition, books and fees for a program of undergraduate or postgraduate education from an accredited institution of post-secondary education located in Arkansas. The credit is equal to 30% of the reimbursement, but cannot exceed 25% of the business' income tax liability in any year.

Eligible businesses are manufacturers in SIC codes 20-39; certain computer businesses which derive 60% of their revenue from out-of-state sales and have no retail sales to the general public; commercial physical and biological research firms under SIC 8731; motion picture production businesses which derive 60% of their revenue from out-of-state sales and have no retail sales to the general public; distribution centers; office sector businesses; corporate or regional headquarters; and trucking/distribution terminals classified as SIC 4231. There is no carry forward for this credit.

To claim the credit authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach form AR 1036 found in this information package with your income tax return.

Arkansas Public Roads Improvements Credit (ACA 15-4-2306)

Act 1347 of 1999 provides an income tax credit for taxpayers that contribute to the Public Roads Incentives Fund of the Arkansas Economic Development Commission. The credit is equal to 33% of the taxpayer's contribution. The credit may not exceed 50% of the taxpayer's income tax liability after all other credits and reductions in tax have been calculated. Any unused credit may be carried forward for three (3) years.

To claim the credit authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach the certification letter issued by the Department of Economic Development to your income tax return.

Employer Provided Early Childhood Program (ACA 26-51-508)

Act 987 of 1993, as amended by Act 850 of 1995 allows an income tax credit of 3.9% of the annual salary of personnel employed exclusively for providing child care services to the business's employees, or a \$5,000 income tax credit for the first tax year the business provides its employees with a child care facility. The credit is first available for use in the taxable year following the year the business makes payment of wages to childcare workers. Any unused credit may be carried forward two (2) years.

To be eligible, the company must obtain a certification from the Arkansas Department of Education qualifying the facility as having an appropriate early childhood program.

To claim the credits authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach the certificate of approval issued by the Department of Education to your income tax return.

Revised January, 2005

Low Income Housing Credit (ACA 26-51-1702)

An income tax credit for taxpayer owning an interest in a qualified low income building which is approved through the Arkansas Development Finance Authority. The tax credit is computed by multiplying the Federal Low Income Housing Tax Credit for the qualified project by 20%. The credit may not exceed the income tax otherwise due. Any unused credit may be carried forward for the next five (5) succeeding tax years or until exhausted, whichever comes first.

To claim the credits authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach the original certificate of approval to your income tax return.

Manufacturer's Investment Tax Credit (ACA 26-51-2001 et seq.)

An income tax credit for investment of at least \$100 million before December 31, 2004 in a qualified paper manufacturing business equal to 7% of the investment. The credit shall not exceed 50% of the income tax liability, after all other credits and reductions in tax have been calculated. Any unused credit may be carried forward for the next six (6) succeeding years or until exhausted, whichever comes first.

To claim the credits authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach the original certificate of approval to your income tax return.

Coal Mining Tax Credit (ACA 26-51-511)

An income tax credit of \$2.00 per ton of coal mined, produced, or extracted on each ton of coal mined in Arkansas in a tax year. An additional credit of \$3.00 per ton will be allowed for each ton of coal mined in Arkansas in excess of 50,000 tons in a tax year. The credit can only be earned if the coal is sold to an electric generation plant for less than \$40.00 per ton excluding freight charges. The credit expires five (5) tax years following the tax year in which the credit was earned.

To claim the credits authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach documentation proof to your income tax return.

Venture Capital Investment Credit (ACA 15-5-1406)

An income tax credit up to \$10 million per year as recommended by the Arkansas Development Finance Authority and approved by the State Board of Finance. The credit may not exceed the income tax otherwise due. Any unused credit may be carried forward for the next five (5) succeeding tax years or until exhausted, whichever occurs first.

To claim the credits authorized you should complete form AR-1020 BIC (parts 16 & 18) and attach the original certificate of approval to your income tax return.

STATE OF ARKANSAS
BUSINESS AND INCENTIVE TAX CREDITS
SUMMARY SCHEDULE

Attach this schedule to your Arkansas Income Tax Return.

FOR TAX YEAR ENDING _____/_____/_____
 Month Day Year

Name as Shown on Return	FEIN or SSN as Shown on Return
Address	
City or Post Office	State Zip Code
Business Name	Business Federal ID
Check the box that applies:	
<input type="checkbox"/> Individual <input type="checkbox"/> Fiduciary <input type="checkbox"/> Partnership <input type="checkbox"/> Sub S <input type="checkbox"/> LLC <input type="checkbox"/> Taxable Corporation	

(PART 1) ENTERPRISE ZONE CREDIT (ACT 947 OF 1993) (ACA 15-4-1701 & 1702)

1. Total credit available to use (balance not expired or used)..... **1.** _____
2. Credit Claimed this tax year..... **2.** _____

IMPORTANT: The original Certificate of Tax Credit issued by the Tax Credits/Special Refund Section must be attached to the return for the year in which the credit was established. For Enterprise Zone projects approved on or after March 25, 1997, the unused credits may be carried forward for a maximum of nine (9) consecutive tax years. For projects approved prior to March 25, 1997, the carry forward is for 4 years only. Note: Only companies that have been certified by the Arkansas Department of Economic Development may be eligible to earn this credit. The credit may be used by the partners or Sub-S shareholders as determined by the percent of ownership.

(PART 2) WATER RESOURCE CONSERVATION CREDIT (ACT 417 of 1985)

(FOR PROJECTS APPROVED PRIOR TO January 1, 1996)

A. CONSTRUCTION AND RESTORATION OF WATER IMPOUNDMENTS

3. Total credit available to use (balance not expired or used)..... **3.** _____
4. Credit Claimed this tax year..... **4.** _____

IMPORTANT: The original "Certificate of Tax Credit Approval" or "Certificate of Tax Credit Completion" must be attached to the return for the year in which the credit was established for each project. The credit shall not exceed three thousand dollars (\$3,000) per year. The carry forward is for 9 years.

(PART 3) WATER RESOURCE CONSERVATION AND DEVELOPMENT CREDIT

(ACT 341 of 1995) (ACA 26-51-1005 through 1009)

(FOR PROJECTS APPROVED January 1, 1996 and Later)

A. CONSTRUCTION OF WATER IMPOUNDMENT PROJECTS

5. Total credit available (balance not expired or used)..... **5.** _____

6. Credit Claimed this tax year..... 6. _____

IMPORTANT: The original "Certificate of Tax Credit Approval" or "Certificate of Tax Credit Completion" must be attached to the return for the year in which the credit was established for each project. The amount of credit used for any taxable year shall not exceed nine thousand dollars (\$9,000) and may be carried over for a maximum of nine (9) consecutive taxable years following the taxable year in which the credit originated.

B. SURFACE WATER CONVERSION OUTSIDE CRITICAL AREAS OR LANDELEVELING FOR WATER CONSERVATION

7. Total credit available (balance not expired or used)..... 7. _____

8. Credit Claimed this tax year..... 8. _____

IMPORTANT: The original "Certificate of Tax Credit Approval" or "Certificate of Tax Credit Completion" must be attached to the return for the year in which the credit was established for each project. The amount of credit used for any taxable year shall not exceed nine thousand dollars (\$9,000) and may be carried over for a maximum of two (2) consecutive taxable years following the taxable year in which the credit originated.

C. SURFACE WATER CONVERSION WITHIN CRITICAL AREAS

9. Total credit available (balance not expired or used)..... 9. _____

10. Credit Claimed this tax year..... 10. _____

IMPORTANT: The original "Certificate of Tax Credit Approval" or "Certificate of Tax Credit Completion" must be attached to the return for the year in which the credit was established for each project. Credit shall not exceed \$9,000 for projects approved before August 1, 1997 or using water for agricultural or recreational purposes. Credits earned from a project for industrial or commercial purposes that is located in critical groundwater areas may be used in an amount up to thirty thousand dollars (\$30,000) for projects approved on or after August 1, 1997 and two hundred thousand dollars (\$200,000) for projects approved on or after January 1, 1999. Any unused credit may be carried forward for the next 2 succeeding tax years for projects using water for agricultural or recreational purposes. For projects approved on or after August 1, 1997 and using water for industrial or commercial purposes, any unused credit may be carried forward for a maximum of the next four (4) succeeding tax years.

(PART 4) PRIVATE WETLAND/RIPARIAN ZONE CREATION AND RESTORATION INCENTIVE

(ACT 561 of 1995) (ACA 26-51-1505)

11. Total credit available (balance not expired or used)..... 11. _____

12. Credit Claimed this tax year 12. _____

IMPORTANT: The original "Certificate of Tax Credit Approval" or "Certificate of Tax Credit Completion" must be attached to the return for the year in which the credit was established for each project. The amount of credit used for any taxable year shall not exceed five thousand dollars (\$5,000) and may be carried over for a maximum of nine (9) consecutive taxable years following the taxable year in which the credit originated.

(PART 5) WASTE REDUCTION AND RECYCLING EQUIPMENT CREDIT

(ACT 654 of 1993) (ACA 26-51-506)

13. Total credit available (balance not expired or used)..... 13. _____

14. Credit Claimed this tax year..... 14. _____

IMPORTANT: The original Certificate of Tax Credit issued by the Tax Credits/Special Refund Section must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of three (3) consecutive tax years. Note: Only companies that have been approved by the Arkansas Department of Environmental Quality may be eligible to earn this credit. The credit may be used by the partners or Sub-S shareholders as determined by the percent of ownership.

(PART 6) ARKANSAS CAPITAL DEVELOPMENT COMPANY CREDIT

(ACT 860 of 2003) (ACA 15-4-1026)

Date Common Stock Purchased _____ **Cost \$** _____

15. Total credit available (balance not expired or used)..... **15.** _____

16. Credit Claimed this tax year..... **16.** _____

IMPORTANT: The original Certificate Statement issued must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of three (3) consecutive tax years.

(PART 7) COUNTY INDUSTRIAL DEVELOPMENT CORPORATION CREDIT

(ACTS 363 & 1044 of 1995) (ACA 15-4-1224)

Date Common Stock Purchased _____ **Cost \$** _____

17. Total credit available (balance not expired or used)..... **17.** _____

18. Credit Claimed this tax year..... **18.** _____

IMPORTANT: The original Certificate Statement issued must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of three (3) consecutive tax years.

(PART 8) EQUIPMENT DONATION OR BELOW COST CREDIT

(ACT 759 of 1985) (ACA 26-51-1102 & 1103)

19. Total credit available (balance not expired or used)..... **19.** _____

20. Credit Claimed this tax year..... **20.** _____

IMPORTANT: The original Certificate Statement issued must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of three (3) consecutive tax years.

(PART 9) YOUTH APPRENTICESHIP TRAINING PROGRAM

(ACT 1103 of 1995 & ACT 1168 of 1997) (ACA 26-51-509 & ACA 26-51-1601 et seq.)

21. Total credit available (balance not expired or used)..... **21.** _____

22. Credit Claimed this tax year..... **22.** _____

IMPORTANT: The original Certificate of Tax Credit issued by the Tax Credits/Special Refund Section must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of two (2) consecutive tax years. Note: Only companies that have been certified by the Bureau of Apprenticeship Training may be eligible to earn this credit. The credit may be used by the partners or Sub-S shareholders as determined by the percent of ownership.

(PART 10) ARKANSAS ECONOMIC DEVELOPMENT PROGRAM

(ACT 831 of 95, ACT 507 of 97, ACT 575 of 99, ACT 975 of 01) (ACA 15-4-1901 et seq.)

23. Total credit available (balance not expired or used)..... **23.** _____

24. Credit Claimed this tax year..... **24.** _____

IMPORTANT: The original Certificate of Tax Credit issued by the Tax Credits/Special Refund Section must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of nine (9) consecutive tax years or until the financial incentive plan expires, whichever occurs first. Note: Only companies that have been certified by the Arkansas Department of Economic Development may be eligible to earn this credit. The credit may be used by the partners or Sub-S shareholders as determined by the percent of ownership.

Revised January, 2005

(PART 11) TOURISM PROJECT DEVELOPMENT CREDIT

(ACT 291 of 1997 & ACT 1135 of 1999) (ACA 15-11-501 thru 509)

25. Total credit available (balance not expired or used)..... 25. _____
26. Credit Claimed this tax year..... 26. _____

IMPORTANT: The original Certificate of Tax Credit issued by the Tax Credits/Special Refund Section must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of nine (9) consecutive tax years. The tourism attraction project must be qualified through the Dept of Economic Development before the credit is issued.

(PART 12) ADVANTAGE ARKANSAS

(ACT 182 OF 2003) (ACA 15-4-2705)

27. Total credit available (balance not expired or used)..... 27. _____
28. Credit Claimed this tax year..... 28. _____

IMPORTANT: The original Certificate of Tax Credit issued by the Tax Credits/Special Refund Section must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of nine (9) years beyond the year in which the credit was first earned.

(PART 13) ARKPLUS INCOME TAX CREDIT

(ACT 182 OF 2003) (ACA 15-4-2706 (b))

29. Total credit available (balance not expired or used)..... 29. _____
30. Credit Claimed this tax year..... 30. _____

IMPORTANT: The original Certificate of Tax Credit issued by the Tax Credits/Special Refund Section must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of nine (9) years beyond the year in which the credit was first earned

(PART 14) TARGETED BUSINESS INCENTIVE (Credit based on payroll or Research & Development)

(ACT 182 OF 2003) (ACA 15-4-2709, 2708 (c))

31. Total credit available (balance not expired or used)..... 31. _____
32. Credit Claimed this tax year..... 32. _____

IMPORTANT: The original Certificate of Tax Credit issued by the Tax Credits/Special Refund Section must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of three (3) years beyond the year in which the credit was first earned.

(PART 15) RESEARCH & DEVELOPMENT WITH UNIVERSITIES

(ACT 182 of 2003) (ACA 15-4-2708(a))

33. Total credit available (balance not expired or used)..... 33. _____
34. Credit Claimed this tax year..... 34. _____

IMPORTANT: The original Certificate of Tax Credit issued by the Tax Credits/Special Refund Section must be attached to the return for the year in which the credit was established. Any unused credits may be carried forward for a maximum of three (3) years beyond the year in which the credit was first earned.

(PART 16) OTHER CREDIT CLAIMED

NAME OF CREDIT _____

35. Total credit available (balance not expired or used)..... **35.**_____

36. Credit Claimed this tax year..... **36.**_____

IMPORTANT: The original Certificate of Tax Credit/Certification Statement issued must be attached to the return for the year in which the credit was established.

(PART 17) OTHER CREDIT CLAIMED

NAME OF CREDIT _____

37. Total credit available (balance not expired or used)..... **37.**_____

38. Credit Claimed this tax year..... **38.**_____

IMPORTANT: The original Certificate of Tax Credit/Certification Statement issued must be attached to the return for the year in which the credit was established.

(PART 18) TOTAL CREDIT CLAIMED

Total..... **\$** _____
(Add lines 2, 4, 6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 26, 28, 30, 32, 34, 36, & 38)

*(Put total credit
claimed on Business
& Incentives Tax
Credits Line on
income tax return)*

IF YOU HAVE MORE THAN ONE CREDIT LIST THE ORDER IN WHICH THEY ARE TO BE
APPLIED TO YOUR TAX

CREDIT #1 _____ CREDIT #2 _____

CREDIT #3 _____ CREDIT #4 _____

Note: This form replaces previous tax credit forms AR 1020BIC, AR 417, AR 1010 AEDA, CHILD, WBYAP, WET, EC, WAT, YAP, AR 1030 CEC, and AR 1060R.

AR1036
TAX CREDIT DOCUMENTATION

Tuition Reimbursement Tax Credit Program

Section A. Tax Year Beginning _____ and Ending _____

Name of Entity: _____

Address: _____

City, State, Zip Code: _____

FEIN/SSN: _____

SIC CODE: _____

Eligibility category (see next page, enter a letter A through H) _____.

If category "B" or "D", enter the percentage of your total sales that are outside the State of Arkansas _____.

OWNERSHIP OF BUSINESS

☐ Individual

☐ Partnership (Complete Section C)

☐ Taxable Corporation

☐ LLC (Complete Section C)

☐ Fiduciary

☐ Subchapter-S (Complete Section C)

Section B.

Employee's Name*	Tuition, books, & fees reimbursed to employee (\$) (date)	For Term Ending
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Total Amount Reimbursed _____

Total Tax Credit = (total amount reimbursed) x (0.30) = _____

***If more space is needed for employees' names, attach additional sheet(s) and enter the total amount reimbursed for all employees in the space immediately above.**

Section C.

Owner's Name	Percentage of Ownership	Social Security Number	Proportionate Share of Credit*
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

***The credit should be allocated to each member based upon that member's share of the entity's net income and loss. A member's proportionate share is generally equivalent to the member's percentage of ownership in the entity.**

Eligibility Categories.

- (A) Manufacturers classified in Federal Standard Industrial Classification (SIC) codes 20-39, including semiconductor and microelectronic manufacturers;
- (B) Computer businesses primarily engaged in providing computer programming services; the design and development of prepackaged software; businesses engaged in digital content production and digital preservation; computer processing and data preparation services; information retrieval services; computer and data processing consultants and developers. All businesses in this group must derive at least 60% of their revenue from out of state sales and have no retail sales to the general public;
- (C) Businesses primarily engaged in commercial physical and biological research as classified by SIC code 8731;
- (D) Businesses primarily engaged in motion picture production. All businesses in this group must derive at least 60% of their revenue from out of state sales and have no retail sales to the general public;
- (E) Distribution centers with no retail sales to the general public;
- (F) An office sector business with no retail sales to the general public;
- (G) A corporate or regional headquarters with no retail sales to the general public and;
- (H) A trucking/distribution terminal, as classified by SIC code 4231, with no retail sales to the general public.

GENERAL INFORMATION

ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY.....	682-0818
ARKANSAS DEPARTMENT OF FINANCE AND ADMINISTRATION	
TAX CREDITS/SPECIAL REFUNDS SECTION.....	682-7106
CORPORATE INCOME TAX SECTION.....	682-4775
INDIVIDUAL INCOME TAX SECTION.....	682-7225
ARKANSAS DEPARTMENT OF HIGHER EDUCATION.....	324-9300
ARKANSAS DEPARTMENT OF WORKFORCE EDUCATION.....	682-1040
ARKANSAS EARLY CHILDHOOD COMMISSION.....	682-4891
ARKANSAS ECONOMIC DEVELOPMENT COMMISSION.....	682-7310
ARKANSAS EMPLOYMENT SECURITY DEPARTMENT.....	682-3197
ARKANSAS SCIENCE AND TECHNOLOGY AUTHORITY.....	324-9006
ARKANSAS SOIL AND WATER CONSERVATION COMMISSION.....	682-3968
U.S. DEPARTMENT OF LABOR – BUREAU OF APPRENTICESHIP AND TRAINING.....	324-5415
ARKANSAS DEPARTMENT OF ECONOMIC DEVELOPMENT.....	682-1121
ARKANSAS DEVELOPMENT FINANCE AUTHORITY: BRUCE BOKONY.....	682-5927
If you have any questions related to this information package, please contact Jerry Walton by phone at 501-682-6986 or by email at Jerry.Walton@rev.state.ar.us.	